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In the Supreme Court of the United States

SAMSUNG ELECTRONICS CO., LTD., ET AL., PETITIONERS

v.

APPLE INC.

ON WRIT OF CERTIORARI
TO THE UNITED STATES COURT OF APPEALS
FOR THE FEDERAL CIRCUIT

BRIEF FOR THE INTERNET ASSOCIATION; THE SOFTWARE & INFORMATION INDUSTRY ASSOCIATION; DELL INC.; EBAY INC.; FACEBOOK, INC.; GARMIN INTERNATIONAL, INC.; GOOGLE INC.; HEWLETT PACKARD ENTERPRISE CO.; HP INC.; LENOVO USA; MOTOROLA MOBILITY LLC; NEWEGG INC.; PEGASYSTEMS INC.; RED HAT, INC.; SAS INSTITUTE INC.; VARIAN MEDICAL SYSTEMS; AND VIZIO, INC., AS AMICI CURIAE SUPPORTING PETITIONERS

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INTEREST OF AMICI CURIAE

Amici curiae are The Internet Association; The Software & Information Industry Association; Dell Inc.; eBay Inc.; Facebook, Inc.; Garmin International, Inc.; Google Inc.; Hewlett Packard Enterprise Co.; HP Inc.; Lenovo USA; Motorola Mobility LLC; Newegg Inc.;

Pegasystems Inc.; Red Hat, Inc.; SAS Institute Inc.; Varian Medical Systems; and VIZIO, Inc.*

The Internet Association (IA) is a nonprofit trade organization that represents the Nation's leading internet companies and their global community of users. Its members include Amazon, Intuit, Netflix, PayPal, Twitter, Yahoo!, and Yelp, as well as some of the amici companies. IA's mission is to foster innovation, promote economic growth, and empower people through the free and open internet.

The Software & Information Industry Association (SIIA) represents over 700 software companies, data and analytics firms, information service companies, and digital publishers in nearly every segment of society, including business, education, government, health care, and consumers—all of whom use design elements in portions of the products and services that they produce. On behalf of its members, SIIA has been actively involved in advocacy efforts targeted at fostering sound innovation policy by eliminating perverse incentives in the patent system.

The remaining amici are companies that develop, manufacture, and sell modern technological products, including computers, smartphones, operating systems,

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* Pursuant to Rule 37.6, amici affirm that no counsel for a party authored this brief in whole or in part and that no person other than amici or their counsel have made any monetary contributions intended to fund the preparation or submission of this brief. The parties have consented to the filing of this brief, and copies of their letters of consent are on file with the Clerk's Office. Counsel for amici has represented petitioners in other litigation, including litigation against respondent.

and online platforms, as well as the components, software, and services that support them.

This case presents a question of enormous practical importance to amici: namely, whether 35 U.S.C. 289 imposes damages in the amount of the total profit from a complex, multicomponent product when only some of the product's many components infringe a patented design. In the decision below, the Federal Circuit held that sales of the entire device form the appropriate basis for the calculation of total profit. That holding will have significant ramifications for amici, which develop, manufacture, design, and sell complex, multicomponent technological products, as well as for the technology industry more generally. Accordingly, amici have a substantial interest in the question presented here.

SUMMARY OF ARGUMENT

In the decision below, the Federal Circuit upheld a jury's award of the entirety of Samsung's profits on smartphones that were found to have infringed two Apple design patents, even though the design patents were directed only to part of the iPhone's outer shell and a single graphical-user-interface screen. Although the design patents covered only limited portions of those complex electronic devices, the court rejected Samsung's argument that damages must be limited to the profits made from those infringing features. See Pet. App. 27a-29a. The court instead concluded that the relevant statute, 35 U.S.C. 289, "explicitly authorizes the award of total profit from the article of manufacture bearing the patented design," and that the entire smartphone was the relevant "article of manufacture." Pet. App. 28a-29a. The court based its conclusions on the fact that the "innards of Samsung's smartphones were not sold separate-

ly from their shells as distinct articles of manufacture to ordinary purchasers." *Id.* at 29a.

The Federal Circuit's decision is deeply flawed. If allowed to stand, it will lead to absurd results and have a devastating impact on companies, including amici, that spend billions of dollars annually on research and development for complex technological products and their components. As petitioners have explained, the Federal Circuit's decision cannot be reconciled with the text, history, or purpose of Section 289. What is more, the Federal Circuit's decision is problematic because it ignores the reality of modern, multicomponent technological products. Those complex products, which have become the norm throughout the consumer electronics industry, are not purchased primarily for the design of one or more isolated components.

To the contrary, consumers frequently consider the purchase of a multicomponent technological product as, in effect, the purchase of several individual components based on their functional qualities. For example, customers may purchase an iPhone in part because they prefer the quality of its camera, or because they know that they can synchronize it with other Apple products, or because they wish to use certain available software—not simply because of the design of the iPhone's rectangular front face with rounded corners. That is why technology companies apply their research and development budgets to numerous aspects of a multicomponent product, including its hardware, software, and services, and not just its design.

Section 289 does not compel the adoption of a rule that ignores these realities. The text of Section 289 itself contemplates a more sensible approach to calculating "total profit." It states that the relevant "article of manufacture" is the one "to which [the infringing] design

* * * has been applied." 35 U.S.C. 289. Where a single component of a complex device infringes a patented design, the most natural interpretation of that text is that the component-specific design has been "applied" only to the specific component, rather than the entire device.

The history and purpose of Section 289 support that interpretation. In enacting Section 289 in the nineteenth century, Congress did not envision application of its rule to complex modern products that are assembled from a multitude of individual components, each of which constitutes a distinct "article of manufacture" and many of which may originate from different manufacturers. Congress enacted Section 289 in response to decisions of this Court that awarded nominal damages for the infringement of design patents for carpets, unitary articles in which the design is inseparable from the article as a whole. Troubled by that decision, Congress sought to preserve the right to obtain damages for infringement of design patents for carpets and similar articles such as oilcloths and wallpaper. Indeed, at the time Congress enacted Section 289, a design for a complex, multicomponent device generally would not even have been considered an "article of manufacture" under the design-patent statutes.

The foregoing approach is congruent with the existing case law. Courts interpreting Section 289 focused on simple products such as ornamental spoons and fireplace grates—products that are nothing like today's multicomponent technological products, which distinguish themselves in the marketplace based on a cornucopia of different features. To the extent that courts eventually considered multicomponent "articles of manufacture" in design-patent cases, those courts recognized the absurd

results that would follow from applying a rigid "total profit" rule and declined to extend it to that context.

Consistent with the text, history, and purpose of Section 289, the better interpretation of "article of manufacture" is one that recognizes that complex, multicomponent technological products typically embody far more than one "article of manufacture" for purposes of the "total profit" rule. An award of profits in cases where only a single component of a complex device infringes a design patent should be limited to the profit attributable to the component "to which [the] design * * * has been applied." 35 U.S.C. 289.

Finally, such an interpretation would serve the public interest. As predicted by numerous commentators, the Federal Circuit's decision has already prompted so-called "patent trolls" to threaten design-patent litigation against high-technology companies like amici. Meanwhile, companies are applying for and obtaining record numbers of design patents, which are certain to be asserted at similarly growing rates. The ensuing litigation will undermine innovation and the research and development efforts of amici and the technology industry more generally—a particularly troubling development in light of the spurious quality of many design patents. Amici therefore respectfully urge the Court to reverse the decision below.

ARGUMENT

I. THE FEDERAL CIRCUIT'S DECISION IS ERRONEOUS AND OUT OF STEP WITH MODERN TECHNOLOGY

Section 289 of Title 35 of the United States Code allows the holder of a design patent to recover "total profit" from any person who, without the patentee's consent, "applies the patented design * * * to any article of

manufacture for the purpose of sale," or "sells or exposes for sale any article of manufacture to which such design * * * has been applied." The question presented here is what is the relevant "article of manufacture" for determining "total profit": *viz.*, whether, when one component of a complex electronic device infringes a design patent, the relevant "article of manufacture" is the component alone or the entire device.

The better answer is the component bearing the patented design. The contrary interpretation adopted by the Federal Circuit cannot be reconciled with the text, history, or purpose of Section 289. And if it is allowed to stand, that interpretation will lead to absurd results in the modern technology industry.

A. Modern Technological Products Are Highly Complex And Consist Of Numerous Components And Software Subsystems

Complex, multicomponent products have become the norm in the modern consumer electronics industry. To take one example, a "smart television" contains over 2,500 high-technology components. See Abraham Pai, *Smart TV: Piece by Piece*, Samsung Tomorrow (Sept. 23, 2011) <goo.gl/5vvYWY>. Those components include an outer casing, speakers, a liquid crystal display, a circuit board containing 1,200 semiconductors, modules supporting wireless communications, a wall mount, a remotely controlled keyboard, a tuner, ports for connecting to other devices, graphics hardware, an operating system, and hundreds of software applications that may run on that system—including applications for games, communications, and news. *Ibid.*

The components of a smart television may be covered by individual design patents for features such as the curvature of the wall mount, the specific configuration of the keyboard, the design of the speakers, or even the ap-

pearance of a single icon within an application. Despite containing numerous components, however, a smart television is sold to an ordinary consumer as a single, complete product. Under the Federal Circuit's reasoning, the manufacturer or seller of a smart television containing any single component that infringed any one design patent could be required to pay in damages its total profit on the entire television, no matter how insignificant the design of the infringing component was to that profit or to consumer demand.

Another example is a laptop computer. See *The Different Parts of a Laptop Computer*, ZKarlo Laptop Parts Blog (June 15, 2011) <goo.gl/0R6055>. Much like a smart television, the components of a laptop include an outer casing, speakers, a liquid crystal display, a circuit board containing hundreds of semiconductors (including chips supporting wireless communication), a keyboard, a trackpad, ports for connecting to other devices, graphics hardware, an operating system, and hundreds of applications that may run on that system. *Ibid.*

As with the smart television, the components of a laptop computer may also be covered by numerous design patents for features such as the sleekness of the laptop's outer casing, the specific configuration of its keyboard or trackpad, the design of its speakers, or the display of drop-down menus in one of the laptop's many software applications. Again, despite containing numerous components, a laptop is sold to an ordinary consumer as a single, complete product. And again, under the Federal Circuit's interpretation, the manufacturer or seller of a laptop containing a component that infringed any single design patent would be required to pay in damages its total profit on the entire laptop. That is so even if the design patent at issue concerned a minor component un-

related to consumer demand for the laptop, such as the appearance of the laptop's trackpad.

Similar issues arise with respect to software products and online platforms. A design patent may cover the appearance of a single feature of a graphical user interface, such as the appearance of an icon. That feature—which may be the result of but a few lines out of millions of computer code—may appear only during a particular use of the product, on one screen display among hundreds, and in circumstances that many customers never even see. But the Federal Circuit's decision could allow the owner of the design patent to receive all of the profits generated by the entire product or platform, even if the infringing element was minor to the user and even if thousands of features, implemented across the software, actually drove the demand generating those profits.

Software covered by a design patent may be part and parcel of a much larger product, making the award of total profit even more excessive. For example, some vehicles now feature a digital instrument panel. That system, which appears on display screens on the car's dashboard, constitutes only a small fraction of the vehicle's components. Assuming, however, that even a single graphic on a single screen of the digital instrument panel was covered by a design patent, the Federal Circuit's interpretation would allow the patentee to extract the entire profit on the infringing car. That absurd result flows directly from the Federal Circuit's interpretation, even though consumers may not have bought the car because they wanted a digital instrument panel and certainly did not base the decision to buy on the single infringing design element. See Pet. App. 29a.

As the above examples demonstrate, the Federal Circuit's decision is disconnected from the reality of modern technological products, and it attaches outsized

significance to the design of individual components. Where complex technological products are involved, design is only one factor that contributes to consumer demand; function is often far more important. In a study of the factors that influence consumers' laptop-purchasing decisions, for example, design was ranked 21st out of 26 factors—behind functional qualities such as processor speed, memory capacity, and even the number of ports. See V. Aslihan Nasir et al., *Factors Influencing Consumers' Laptop Purchases*, Sixth Global Conference on Business and Economics 5 (Oct. 15-17, 2006) <goo.gl/nhi9OU>. So too in the smartphone context, consumers value numerous other qualities such as battery life, durability, and security. See Christopher Versace, *What Do Consumers Want in a New Smartphone?*, Forbes (Aug. 21, 2013) <goo.gl/CMG4j6>. And it is beyond doubt that functionality is a major factor in consumers' choice of which software products and online platforms to use.

To state the obvious, the investment in research and development for information and communication technologies—currently estimated at $250 billion annually—extends well beyond design to include the hardware, software, and services that are incorporated into the technological products. See R&D Magazine, *2014 Global R&D Funding Forecast* 24 (Dec. 2013) <goo.gl/7LIxBV>. The reason is simple: technology companies know that consumers want a product that works well, not simply one that looks good.

Consumer preferences exert influence over every component that is incorporated into modern technological products, even though those components may not be "sold separately" to the ordinary consumer. Pet. App. 29a. An ordinary consumer's demand for various components, in turn, drives the decisions of manufacturers to

purchase those components. See Braden Cox & Steve DelBianco, *Consumer Demand Drives Innovation and Integration in Desktop Computing*, Ass'n for Competitive Technology 1 (June 2007) <goo.gl/4ocA7n>. "[C]onsumers are demonstrating a desire to shape demand through their own insistence on mixing and matching products and product features," Jonathan Sallet, *The Creation of Value: The Value Circle and Evolving Market Structures*, 11 J. on Telecomm. & High Tech. L. 185, 190 (2013), and manufacturers are heeding that call.

The Federal Circuit's decision ignores all of the foregoing considerations and reduces the damages analysis to one question: was the feature that is covered by a design patent "sold separately from [the remainder of the product] as [a] distinct article[] of manufacture to ordinary purchasers"? Pet. App. 29a. If not, then the owner of a design patent is entitled to the full profits from the entire product, without any further inquiry into the importance of the infringing feature. That absurd result cannot be squared with the reality of modern, multicomponent technological products.

B. The Text Of Section 289 Provides For A Rule That Avoids the Harsh Consequences Of The Federal Circuit's Approach

Section 289 measures the award of "total profit" based on sales of the "article of manufacture to which [the infringed] design * * * has been applied." 35 U.S.C. 289. Congress first enacted that language in 1887 but did not define any of the key terms—"article of manufacture," "design," or "applied." See Act of Feb. 4, 1887, § 1, 24 Stat. 387. The starting point for interpreting the text is thus the original meaning of those terms

at the time Congress enacted the statute. See, *e.g.*, *Cuomo* v. *Clearing House Ass'n*, 557 U.S. 519, 525-526 (2009).[1]

While contemporaneous dictionaries do not separately define the phrase "article of manufacture," they do define the term "manufacture." In common parlance, a "manufacture" was "[a]ny thing made from raw materials by the hand, by machinery, or by art" (with "art" being "[t]he disposition or modification of things by human skill"). Noah Webster, *An American Dictionary of the English Language* 53, 516 (rev. ed. 1841) (*Webster's*); accord James Donald, *Chambers's Etymological Dictionary of the English Language* 309 (1871). Contemporary sources in the area of patent law used "article of manufacture" interchangeably with "manufacture" in this sense, indicating that the terms carried the same meaning. See, *e.g.*, *Gorham Co.* v. *White*, 81 U.S. (14 Wall.) 511, 525 (1872); George Ticknor Curtis, *A Treatise on the Law of Patents for Useful Inventions in the United States of America* § 106, at 92-93 (1849) (Curtis). As a later court noted, "[i]t is difficult to perceive how a thing may be a manufacture, without producing an article of manufacture." *In re Hadden*, 20 F.2d 275, 276 (D.C. Cir. 1927). Accordingly, an "article of manufacture," like a "manufacture," was simply a manmade object—whether

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[1] Congress codified the 1887 Act in 1952 but did not change any of those three key terms. See Act of July 19, 1952, ch. 29, § 289, 66 Stat. 813-814; S. Rep. No. 1979, 82d Cong., 2d Sess. 30 (1952). Because the revised statute contains no clear statement to the contrary, those terms are presumed to retain their original meaning. See *Scheidler* v. *National Organization for Women, Inc.*, 547 U.S. 9, 20 (2006).

or not that object was subsequently incorporated into something else.

As for the meaning of a "design," this Court long ago defined that term as "that which gives a peculiar or distinctive appearance to the manufacture, or article to which it may be applied, or to which it gives form." *Gorham*, 81 U.S. at 525. Put differently, a "design" is simply "a specific physical means for the production of a specific physical effect" on a manmade object. 1 William C. Robinson, *The Law of Patents for Useful Inventions* § 203, at 288 (1890) (Robinson). Finally as to the relevant terms, "applied" meant "put on; put to, directed; [or] employed." *Webster's* 46.

When those definitions are joined together, the "article of manufacture to which [the infringed] design * * * has been applied" is the manmade object to which "the specific [patented] physical means for the production of a specific physical effect" is "directed" or "put." That language thus indicates that, whether or not an infringing item is incorporated in a larger, complex device, the "design" for that item applies only to that item.

Consider, for instance, a patented design for a trackpad that may become part of a laptop computer. The trackpad design, one would naturally say, "[is] applied" to the material constituting the trackpad, thus bestowing the trackpad with its unique look. And that would remain the case even after the trackpad was subsequently installed in a laptop. The specific means for creating the trackpad's appearance (the "design") is still being directed ("applied") to the *trackpad*. It would be most awkward to say that the trackpad's design is being applied to the *laptop*, because the design is specific to the item to which it gives a "peculiar or distinctive appearance." *Gorham*, 81 U.S. at 525. If anything is being "ap-

plied" to—*i.e.*, "put on," *Webster's* 46—the laptop, it is the trackpad as a *component*, not the *design* of the trackpad itself.

The foregoing interpretation is the most natural reading of the statutory text, and it avoids the harsh consequences of the Federal Circuit's alternative. The Federal Circuit erred in concluding that the text compelled its draconian interpretation.

C. The Context And Legislative History Of Section 289 Confirm That Congress Did Not Intend For The Relevant 'Article Of Manufacture' To Be A Complex, Multicomponent Device

Congress adopted the "total profit" provision in Section 289 in response to this Court's rulings in two nineteenth-century cases that awarded nominal damages of six cents for the infringement of design patents covering carpets. See *Dobson* v. *Dornan*, 118 U.S. 10 (1886); *Dobson* v. *Hartford Carpet Co.*, 114 U.S. 439 (1885). The patentee could not recover lost profits in those cases, the Court reasoned, because the record contained no evidence of what portion of the infringer's profits stemmed from the patented design (rather than from the underlying material). See *Dobson*, 118 U.S. at 16-17; *Dobson*, 114 U.S. at 444-446.

Concerned that the patent laws provided "no remedy" for design-patent infringement in the wake of those decisions, S. Rep. No. 206, 49th Cong., 2d Sess. 1 (1886), Congress passed a bill awarding the "infringer's entire profit on the article," H.R. Rep. No. 1966, 49th Cong., 2d Sess. 3 (1886); see Act of Feb. 4, 1887, § 1, 24 Stat. 387. That bill was premised on the assumption that, for items like carpets, "it is the design that sells the article," and the design, as the primary feature of the article, is the only thing that "makes it possible to realize any profit at all." H.R. Rep. No. 1966, *supra*, at 3.

In enacting the "total profit" provision, Congress did not envision the "article of manufacture" as being a complex, multicomponent product—much less a product incorporating modern technologies. As explained in the House Report on the bill that became Section 289, "[s]o far as the *consumers* are concerned, the effect of design patent laws that are respected is to give them more beautiful carpets and wall-papers and oil-cloths." H.R. Rep. No. 1966, *supra*, at 3. The sponsor of the bill similarly noted that the statute would protect designs for "carpeting, oil-cloths, wall-paper, and things of that sort," and that the bill was introduced in response to "a great body of persons who are engaged in the manufacture of goods in which designs are the principal feature." 18 Cong. Rec. 835 (1887) (statement of Rep. Martin). Then as now, carpets, oilcloths, and wallpaper were relatively simple, single-component articles for which the design embodies virtually the whole article and is the primary factor driving sales.

In contrast, the available evidence suggests that Congress did not consider complex products with significant functional features to be "articles of manufacture" at all. From the very beginnings of the Republic, the basic statute on utility patents has distinguished "manufacture[s]" from "machine[s]." Act of Apr. 10, 1790, § 1, 1 Stat. 109. Since 1793, those have been two of the four statutory categories of subject matter eligible for utility patents—categories that remain unchanged today, except for the substitution of "process" for "art." Compare Act of Feb. 21, 1793, § 1, 1 Stat. 318-319, with 35 U.S.C. 101. In enacting the "total profit" provision in Section 289, therefore, Congress employed a term that even then had a venerable history in American patent law. See Rev. Stat. § 4886 (1874) (referring to "any new and useful art, machine, manufacture or composition of matter").

Commentators have long noted the distinction between "manufactures" and "machines." As explained above, the term "manufacture" refers broadly to a manmade object. See pp. 12-13, *supra*. Because Congress separately listed "manufacture[s]" and "machine[s]," however, commentators observed that the two terms must represent distinct classes of patentable subject matter. See, *e.g.*, Curtis § 102, at 89-90; Henry Childs Merwin, *The Patentability of Inventions* §§ 52-53, at 80 (1883) (Merwin). As one commentator explained, a "machine" was a "mechanism" bestowed with "a function or mode of operation * * * designed to accomplish a particular effect." Merwin § 52, at 80. A "manufacture," on the other hand, was "a thing to be used by itself," *id.* § 54, at 80, or, more simply, any manmade object "not being machinery," Curtis § 102, at 89. As another commentator eruditely put it, "[a manufacture] has no inherent law which compels it to perform its functions in a given method, but receives its rule of action from the external source which furnishes its motive power." 1 Robinson § 182, at 269-270; see Curtis § 102, at 89. In other words, a "manufacture" was a simple object useful in and of itself, and a "machine" was a complex object whose usefulness derived from its internal mechanics.

In fact, complex devices do not even appear to have been eligible for design patents at the time Congress adopted the relevant provision of Section 289. Like the utility patent statute, the statute authorizing the issuance of design patents set forth a specific list of patentable subject matters. See Rev. Stat. § 4929 (1874); Supp. to Rev. Stat., at xvi, 16 (1891). The broadest categories covered "any new and original design for a manufacture" and "any new, useful, and original shape or configuration of any article of manufacture." Rev. Stat. § 4929.

That statute, however, made no provision for design patents on "machines," and the contemporary practice of the Patent Office was not to issue such patents. As the Commissioner of Patents explained at the turn of the century, "[design] patents are limited to 'an article of manufacture,'" and "there is a clear and well-defined distinction in patent law between a machine and an article of manufacture." *Ex parte Steck*, 98 Official Gazette of the U.S. Patent Office (O.G.) 228, 230 (1902). The Patent Office would thus reject patent applications for designs applied to things such as trains or atomizers. See *ibid.*; *Ex parte Harris*, 38 O.G. 104, 104 (1887); *Ex parte Smith*, 81 O.G. 969, 969 (1897). The Patent Office explained that "several articles of manufacture of peculiar shape which when combined produce a machine or structure having movable parts may each separately be patented as a design; but the machine itself cannot be so patented." *Ex parte Adams*, 84 O.G. 311, 311 (1898); see *Steck*, 98 O.G. at 230 (discussing *Adams*).

Naturally, then, in enacting the "total profit" provision for design-patent infringement, the 1887 Congress focused on relatively simple, single-component articles such as carpets, oilcloths, and wallpaper. Complex multicomponent devices with inner workings did not constitute patentable subject matter for design patents at the time.

From today's perspective, the machine-manufacture distinction seems outdated. The Patent Office and the courts began to move away from that distinction in the 1920s. See *In re Koehring*, 37 F.2d 421, 423-424 (C.C.P.A. 1930). And today, design patents are readily issued for all sorts of consumer goods. See pp. 7-9, *supra*. From the perspective of the 1887 Congress, however, the distinction made good sense. The market for everyday consumer goods contained significantly fewer

complex machines than today. And abundant evidence shows that the design-patent laws arose to protect key consumer industries at the time, particularly the textile and cast-iron-goods industries. See Act of Aug. 29, 1842, § 3, 5 Stat. 543-544; H.R. Rep. No. 74, 27th Cong., 2d Sess. 2 (1842); Jason J. Du Mont & Mark D. Janis, *The Origins of American Design Patent Protection*, 88 Ind. L.J. 837, 848-854, 856-874 (2013); Thomas B. Hudson, *A Brief History of the Development of Design Patent Protection in the United States*, 30 J. Pat. Off. Soc'y 380, 380-383 (1948).

The point, however, is not that this Court should return to the nineteenth-century standard for the issuance of design patents. Rather, the import of the history of the design-patent laws is twofold. *First*, it hews more closely to Congress's original vision for the "total profit" provision to choose the specific infringing component of a multicomponent device as the relevant "article of manufacture" for purposes of determining "total profit." If Congress would not have thought that a complex device was an "article of manufacture" for purposes of patentability, it surely did not intend for such a device to be the relevant "article of manufacture" in the "total profit" provision.

Second, it does not conflict with Congress's original intent to adopt an interpretation of Section 289 that requires apportionment among the various components of a complex, multicomponent product. To be sure, in enacting Section 289, Congress intended to dispense with the apportionment requirement set out in the *Dobson* carpet cases, which resulted in the award of nominal damages for design-driven articles. See *Dobson*, 118 U.S. at 10; *Dobson*, 114 U.S. at 439. But there is no evidence that Congress intended to award, or even considered the possibility of awarding, the total profit from a

complex, multicomponent machine of which the infringing design applies to but one component. While Congress intended to prevent apportionment in cases involving simple products, it did not intend to require disproportionate damages in other cases. The context and legislative history of Section 289 strongly support a less expansive interpretation of the "total profit" provision.

D. The Case Law Interpreting Section 289 Further Supports Petitioners' Reading

Despite the subsequent growth of the design-patent regime, most cases applying Section 289 have continued to involve simple products that are defined by, and purchased for, their designs. Examples include such products as garment racks, fireplace grates, sofas, and lamps—products much like the carpets and oilcloths that motivated Congress when it originally enacted the "total profit" rule. See *Catalina Lighting, Inc.* v. *Lamps Plus, Inc.*, 295 F.3d 1277, 1281 (Fed. Cir. 2002); *Schnadig Corp.* v. *Gaines Manufacturing Co.*, 620 F.2d 1166, 1167 (6th Cir. 1980); *Henry Hanger & Display Fixture Corp.* v. *Sel-O-Rak Corp.*, 270 F.2d 635, 638 (5th Cir. 1959); *Bergstrom* v. *Sears, Roebuck & Co.*, 496 F. Supp. 476, 480 (D. Minn. 1980).

Where courts have been faced with more complex, multicomponent products containing a component with an infringing design, they have exercised common sense and awarded total profit based on the component alone, not the larger product. For example, in *Bush & Lane Piano Co.* v. *Becker Bros.*, 222 F. 902 (1915) and 234 F. 79 (1916), the Second Circuit declined to award the total profit from a piano that included an infringing piano case. As the court put it, the patentee "did not invent a piano, but a piano case," 222 F. at 905, and the piano's instrument and case were distinct articles of manufac-

ture. The court reasoned that the "article" from which total profit was awarded should depend on the "technical, mechanical, popular, and commercial" circumstances in a particular case. 234 F. at 81. Applying that approach, the court distinguished between profit from consumers' demand for "the piano mechanism, which pleased the ear," and for "the ornamented and infringing casing, which attracted the customer's eye." *Id.* at 82. The court recognized that this distinction ultimately mattered in awarding total profit based on the only component bearing the patented design—the piano case.

In the decision below, the Federal Circuit attempted to distinguish *Bush & Lane Piano* on the ground that "the commercial practice in 1915" was such that "ordinary purchasers regarded a piano and a piano case as distinct articles of manufacture." Pet. App. 29a. But ordinary purchasers also view modern technological products as containing multiple "articles of manufacture" that are integrated into products based on their preferences. *See* pp. 10-11, *supra*. Just as Samsung or Apple purchases many of the components and features of its smartphones from third parties based on consumers' preferences, and mixes and matches those components and features into its smartphone models based on those preferences, the defendant manufacturer in *Bush & Lane Piano* purchased the infringing piano cases from others before assembling them and selling them with pianos as whole units, again based on consumer preferences. See 222 F. at 904.

The Second Circuit's earlier decision in *Untermeyer* v. *Freund*, 58 F. 205 (1893), accords with the foregoing approach. The infringed design at issue there was for a watch case, the metal outer shell of a pocket watch sold separately from the time-keeping mechanism. *Id.* at 206-207; see Warren H. Niebling, *History of the American*

Watch Case 28-50 (1971) (Niebling); National Ass'n of Watch & Clock Collectors, *Encyclopedia: Watch Case* <goo.gl/XN9bYA>. The court concluded that the infringer had to pay the patentee the profits made from "watch cases bearing the patented design." *Untermeyer*, 58 F. at 209. Relying on the plain language of the "total profit" provision, the court rejected the defendant's argument that his liability was limited to the profits made from the design alone, not the entire watch case. See *id.* at 211-212. In *Untermeyer*, however, the ornamental design was applied to a single-component article of manufacture—the watch case—with the result that the patentee could recover profits made from the case alone. See *id.* at 206-209; see also *Untermeyer* v. *Jeannot*, 20 F. 503, 503-504 (C.C.S.D.N.Y. 1884); Niebling 48. *Untermeyer* is thus entirely consistent with petitioners' interpretation of Section 289.

Finally on this score, the Sixth Circuit applied similar principles in another design-patent case that the Federal Circuit did not address in the decision below. In *Young* v. *Grand Rapids Refrigerator Co.*, 268 F. 966 (1920), the court refused to award total profit on a refrigerator that incorporated an infringing door latch. Because it is readily apparent that the design of a latch does not permeate a refrigerator, "it [wa]s not seriously contended that all the profits from the refrigerator belonged to [the patentee]," and damages (in the amount of the statutory minimum) were awarded based on the profit derived from the latch alone. *Id.* at 967, 974.

* * * * *

In sum, the text, context, and legislative history of Section 289, and case law interpreting it, reveal the error in the Federal Circuit's approach. All of those sources point to the same conclusion: where a component of a

complex, multicomponent device infringes a design patent, total profit should be measured based on the infringing component, not the entire device.

II. PETITIONERS' INTERPRETATION OF SECTION 289 BETTER SERVES THE STATUTE'S PURPOSE AND THE PUBLIC INTEREST

Applying the Federal Circuit's interpretation of the "total profit" rule to complex multicomponent products incorporating modern technologies would produce absurd consequences that Congress would not have intended. See pp. 7-9, *supra*. Awarding a design patentee the total profit from an infringer's product when the design covers only a relatively minor portion of the product is out of proportion with the significance of the design and out of touch with economic realities. See pp. 9-11, *supra*. Such disproportionate damages awards hinder innovation and "disrupt[] the ability of the market to allocate [research and development] resources to those areas most likely to generate the products most valued by consumers." Federal Trade Commission, *The Evolving IP Marketplace* 146 (2011). They also create an incentive for the prosecution of opportunistic lawsuits, as has already begun to occur.

A. A Narrow Interpretation Of 'Article Of Manufacture' Better Serves The Purpose Of Section 289

The correct way to interpret Section 289 is to read the phrase "article of manufacture," consistent with the statutory text, context, legislative history, and case law, to mean the component "to which [the] design * * * has been applied." 35 U.S.C. 289. Section 289 awards the "extent of [the infringer's] total profit" for "any article of manufacture to which such design * * * has been applied": that is, "the profit made from the infringement." *Ibid.* Thus, where the application of the

design permeates the entire product and drives nearly all of its demand—as with carpets, oilcloths, or ornamental spoons—the "article of manufacture" is the whole product, and profit from the whole product may be awarded. But where a design "has been applied" to only part of a multicomponent product and does not drive demand for the entire product, the "article of manufacture" is rightly considered to be only the component to which the design applies, and only profit attributable to that component may be awarded.

Such an approach would have the added benefit of being congruent with the "entire market value" rule that the Federal Circuit has applied in determining whether the royalty base for reasonable royalty damages should extend to an entire multicomponent technology. Under that rule, a patentee may "assess damages based on the entire market value of the accused product only where the patented feature creates the basis for customer demand or substantially create[s] the value of the component parts." *Uniloc USA, Inc.* v. *Microsoft Corp.*, 632 F.3d 1292, 1318 (Fed. Cir. 2011) (alteration in original) (internal quotation marks omitted). Otherwise, royalties are not based on the entire technology, but instead on the "smallest salable patent-practicing unit," which could be any number of components that constitute the technology. *LaserDynamics, Inc.* v. *Quanta Computer, Inc.*, 694 F.3d 51, 67 (Fed. Cir. 2012) (internal quotation marks omitted). Just as a "reasonable royalty" can be keyed to the component of a complex technology, so too can an award of "total profit" be tied to such a component.

Similar principles apply to the Federal Circuit's approach in awarding "lost profits" damages in the context of utility patents. To receive such damages, a patentee must show that the defendant's infringement of its pa-

tented feature caused the losses. Causation requires, among other things, a showing of "demand for the patented product" and "manufacturing and marketing capability to exploit" that demand. *Rite-Hite Corp.* v. *Kelley Co.*, 56 F.3d 1538, 1545 (Fed. Cir. 1995) (en banc). Without such proof, the patentee cannot "prove entitlement to lost profits damages" and is limited to other forms of damages, such as a reasonable royalty. *Id.* at 1544-1545. If that principle were applied in the context of design patents, Apple could receive lost profits here only to the extent that it could show that it has sold fewer iPhones *because* Samsung sold smartphones that had a similar curvature or used a similar icon. Again, to the extent damages based on profits are available at all, they must be tied to the relevant components that influence consumer demand.

There is no dispute here that the designs at issue solely involved a portion of the smartphone's outer shell and a single graphical-user-interface screen, and it is not clear from the record in this case that those infringing designs are the reason consumers purchased the infringing Samsung devices at issue. A proper interpretation of Section 289 should focus on those components, not on the products as a whole, and the Federal Circuit erred in holding otherwise.

B. A Narrow Interpretation Of 'Article Of Manufacture' Better Serves The Public Interest

A narrow interpretation of "article of manufacture" is also necessary to reduce the risk of frivolous litigation in the design-patent context. If allowed to stand, the Federal Circuit's interpretation will create incentives for more such litigation, because any technology that somehow encompasses an infringing design—no matter how complex—could trigger the "total profit" rule and allow

the patentee to obtain disgorgement of all profits from the purported infringer. That possibility will prompt litigation both from technology manufacturers and from so-called "patent trolls," with significant detrimental consequences for the continued development of useful modern technological products.

As an initial matter, even aside from the effects of the Federal Circuit's decision, design-patent litigation is bound to increase in frequency in light of the growing numbers of design patents granted in recent years. As reflected in the Patent and Trademark Office's annual report on design patents, those patents are being granted at a record clip. Of the approximately 750,000 design patents that have been granted in American history, more than *half* have been granted in the last two decades. See Patent and Trademark Office, *U.S. Patent Activity: Calendar Years 1790 to the Present* <goo.gl/pCw-9SJ>.

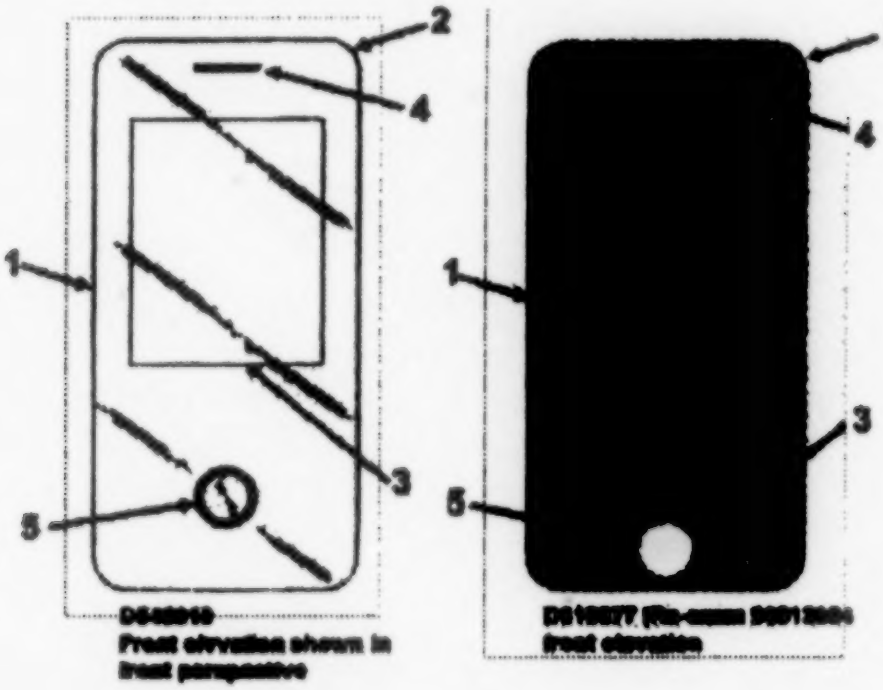
Given those numbers, it seems virtually certain that the rate of design-patent litigation will also increase. While fewer design patents are litigated than utility patents, the filing of design-patent cases has shown no sign of slowing down. See Brian C. Howard, Lex Machina, *2014 Patent Litigation Year in Review* 12 (2015) <goo.gl/CqzkCP>. In the wake of the Federal Circuit's decision, commentators have suggested that "there will be an explosion of design patent assertions and lawsuits." Jason Rantanen, *Apple v. Samsung: Design Patents Win*, Patently-O (May 18, 2015) <goo.gl/x23XTm>. That is particularly true because "an award of infringers' profits by its nature does not require the patentee to be a producing entity, and the lure of profits may drive trial lawyers to work on contingency fees in hopes of a large settlement." Sal Nuzzo, *Florida Entrepreneurs Should Be Spared Design-Patent Follies: State Viewpoint*, Orlando

Sentinel, Oct. 20, 2015, at A13. "[T]he relative ease, speed and lower costs with which a design patent may be secured in comparison to a utility patent" only adds fuel to the fire. David M. Marcus & Shawn K. Leppo, *Welcome Fallout from the Smartphone Wars: Federal Circuit Embraces Strong Protection of Design Patents*, Metropolitan Corporate Counsel 16, 34 (July 17, 2015) <goo.gl/V4MS1g>.

Indeed, as petitioners point out, "patent trolls" have already begun relying on the Federal Circuit's decision to demand large payments for alleged design-patent infringement. See Pet. Br. 51 & nn. 31-32. One such "troll" even filed a patent-infringement action based on a "pending design patent portfolio (a.k.a. patents not yet issued)." Giuseppe Macri, *Patent Trolls are Already Abusing the Apple v. Samsung Ruling*, InsideSources (Oct. 1, 2015) <goo.gl/Q59y6e>. If "trolls" are already threatening to assert *pending* design patents in the wake of the Federal Circuit's decision, one can only imagine how much that activity will increase over time as more such patents are granted. And there can be no real doubt that grants will be forthcoming: as noted, "design patents" are "much faster and cheaper to obtain than utility patents," and the typical grant takes only 14 months. Peter Lee & Madhavi Sunder, *Design Patents: Law Without Design*, 17 Stan. Tech. L. Rev. 277, 283 (2013).

In addition to increasing the rate of design-patent litigation, the Federal Circuit's decision is also likely to result in a concomitant increase in the issuance of low-quality design patents that do not represent significant innovations in design. Indeed, one of the very patents at issue here—Apple's patent for the design of the smartphone's front face—was recently reexamined by the Patent and Trademark Office, which preliminarily

determined that the design was anticipated, obvious, or both, as illustrated by the prior-art design depicted to the left of the patented design below:



See Office Action in *Ex Parte Reexamination* (Reexam. Control No. 90/012,884, U.S.P.T.O. Aug. 5, 2015), at 5. Whatever the degree of invention in Apple's design, this example amply illustrates that even design patents belonging to major technology companies may involve only minimal, if any, advances over the prior art. Design patents in the modern era are seldom directed to fashionable carpet designs or classic Coca-Cola bottles; they are often sought, and issued, for relatively mundane design features. If allowed to stand, the Federal Circuit's decision would encourage the procurement and assertion of more low-quality, marginally innovative design patents, in the hopes that those patents will be infringed by the latest smartphone, laptop, or other device.

What is more, the availability of disproportionate profits from accused infringers of design patents would reduce innovation. This Court has recognized that the activities of "patent trolls" "can impose a harmful tax on innovation." *Commil USA, LLC* v. *Cisco Systems, Inc.*, 135 S. Ct. 1920, 1930 (2015) (internal quotation marks and citation omitted). If adopted by this Court, the Federal Circuit's interpretation would provide design patentees with a cudgel that they can use as "a bargaining tool to charge exorbitant fees to companies that seek to buy licenses to practice the patent." *eBay Inc.* v. *MercExchange, L.L.C.*, 547 U.S. 388, 396 (2006) (Kennedy, J., concurring). Those exorbitant fees, and the inevitable concomitant litigation costs, necessarily come out of the research and development budgets of technology companies, further hampering innovation. A recent study concluded that such fees and costs may reduce research and development spending in such companies by as much as 48%. See James Bessen, *The Evidence Is In: Patent Trolls Do Hurt Innovation*, Harvard Business Review (Nov. 2014) <goo.gl/XJnWVT>. Such a prospect is particularly troubling where, as here, "the patented invention is but a small component of the product the companies seek to produce." *eBay*, 547 U.S. at 396 (Kennedy, J., concurring).

Finally, the Federal Circuit's interpretation could lead to arbitrary results. That is because it could make the measure of damages in design-patent cases depend on the identity of the infringer. Consider, for example, the market for smartphone components. See, *e.g.*, *Slicing an Apple*, The Economist (Aug. 10, 2011) <goo.gl/ZYGXQ>. If Samsung or Apple were to infringe a component manufacturer's design patent and to incorporate it in a smartphone, the component manufacturer could recover profit from sales of the entire smartphone. But

if the component manufacturer were to infringe an identical patent held by Samsung or Apple, Samsung or Apple could recover damages based only the manufacturer's sales of the component. In other words, an identical act of infringement would yield two different damages awards simply because the infringers packaged their products in different units.

All of the foregoing problems can be avoided by interpreting the phrase "article of manufacture" to mean the component of a complex product that is covered by the relevant design patent, rather than the entire product. Such an interpretation would rightly limit a patentee's award under Section 289 to the amount of profit generated by the infringing component. And it would better accord with the statute's text, history, and purpose, while serving the public interest in our twenty-first-century economy.

CONCLUSION

The judgment of the court of appeals should be reversed.

Respectfully submitted.

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